

RECEIVED  
2021 DEC 28 PM 4:28  
IDAHO PUBLIC  
UTILITIES COMMISSION



**DONOVAN E. WALKER**  
Lead Counsel  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)

December 28, 2021

**VIA ELECTRONIC MAIL**

Jan Noriyuki, Secretary  
Idaho Public Utilities Commission  
11331 West Chinden Blvd., Building 8  
Suite 201-A  
Boise, Idaho 83714

Re: Case No. IPC-E-21-35  
Idaho Power Company's Application to Update the Gas Forecast in the  
Incremental Cost Integrated Resource Plan Avoided Cost Model

Dear Ms. Noriyuki:

Attached for electronic filing is Idaho Power Company's Reply Comments in the above entitled matter. If you have any questions about the attached documents, please do not hesitate to contact me.

Attachment No. 1 to Idaho Power Company's Reply Comments is confidential. Please handle the confidential information in accordance with the Protective Agreement to be executed in this matter.

Very truly yours,

A handwritten signature in black ink that reads "Donovan E. Walker".

Donovan E. Walker

DEW:cld  
Enclosures

DONOVAN E. WALKER (ISB No. 5921)  
Idaho Power Company  
1221 West Idaho Street (83702)  
P.O. Box 70  
Boise, Idaho 83707  
Telephone: (208) 388-5317  
Facsimile: (208) 388-6936  
[dwalker@idahopower.com](mailto:dwalker@idahopower.com)

Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER	)	
COMPANY'S ANNUAL COMPLIANCE	)	CASE NO. IPC-E-21-35
FILING TO UPDATE THE LOAD AND GAS	)	
FORECASTS IN THE INCREMENTAL	)	IDAHO POWER COMPANY'S
COST INTEGRATED RESOURCE PLAN	)	REPLY COMMENTS
AVOIDED COST MODEL.	)	
	)	

---

Idaho Power Company ("Idaho Power" or "Company"), in accordance with the Idaho Public Utilities Commission's ("Commission" or "IPUC") Notice of Modified Procedure, Order No. 35228, hereby respectfully submits the following Reply Comments in response to the Comments filed by Commission Staff ("Staff") on December 21, 2021.

**I. INTRODUCTION**

On October 15, 2021, Idaho Power filed its annual Compliance Filing pursuant to Order Nos. 32697 and 32802 to update the load forecast and natural gas forecast components of the Incremental Cost Integrated Resource Plan ("ICIRP") avoided cost methodology. On November 5, 2021, Idaho Power filed a Supplement to the Annual Compliance Filing, pursuant to Order No. 34913, to add the first update to the Peak Hours and Premium Peak Hours used to calculate payment for battery storage resources in the ICIRP avoided cost model. On November 22, 2021, Idaho Power filed a Second Supplement to the Annual Compliance Filing to provide the gas price forecast in nominal

pricing rather than in real pricing. Staff filed Comments on December 21, 2021. Idaho Power now respectfully submits these Reply Comments.

## **II. STAFF RECOMMENDATIONS**

Idaho Power appreciates Staff's detailed and thoughtful review of the Compliance Filing update. The Company appreciates and accepts Staff's recommendations to approve the Load Forecast, Contract Changes, Peak Hours, and Premium Peak Hours. However, Idaho Power respectfully disagrees with Staff's recommendations regarding the natural gas price forecast. Staff recommends that the Platt's natural gas price forecast filed in the Second Supplement be rejected and in its stead, that the Commission Order the Company to: (1) file a forecast for the next three years as a compliance filing to this case, utilizing the latest NYMEX forward prices to determine IRP avoided cost rates for contracts signed after January 1, 2022, until the effective date of the next natural gas price forecast annual update; and (2) reevaluate the Company's natural gas price forecast methodology prior to the next annual update, especially the method used to determine the first three years of the forecast time horizon used to determine IRP-based avoided cost rates. Staff also recommends the changes be effective January 1, 2022, and that all future updates filed on October 15 be effective the following January 1.

Idaho Power has concerns with Staff's recommendations regarding the natural gas price forecast and the January 1 effective date for this year and into the future. Idaho Power's respectfully submits these Reply Comments addressing these issues.

## **III. NATURAL GAS PRICE FORECAST**

A. Staff's Recommendation to Change the Forecast Source in this Proceeding is Inconsistent with Commission Precedent. In final Order No. 32697, the Commission determined that the inputs to the ICIRP avoided cost methodology, utilized for all proposed Public Utility Regulatory Policies Act of 1978 ("PURPA") Qualifying Facility

“QF”) projects that exceed the published rate eligibility cap, will be updated every two years upon acknowledgement of the utility’s Integrated Resource Plan (“IRP”) filing, with the exception of the load forecast and the natural gas forecast—which are to be updated annually by October 15 of each year. Order No. 32697, p. 22; Order No. 32802.

Historically, the October 15 update to the natural gas price forecast has been an update to the **vintage** of the natural gas price forecast, not to the **source** of the forecast or the **methodology** for calculating it. See, e.g., Case Nos. IPC-E-13-18; IPC-E-14-25; IPC-E-15-25; IPC-E-16-22; IPC-E-17-15; IPC-E-18-13; IPC-E-19-31; IPC-E-20-35; IPC-E-21-15. The update has incorporated the most-recent version of the forecast used in the most recently acknowledged Integrated Resource Plan (IRP). (In some cases, the October 15 update provided the most recent version of the natural gas forecast used in the most recently filed or soon-to-be-filed IRP. See Case Nos. IPC-E-14-25; IPC-E-17-15.) Any changes to the source or calculation of the forecast have been primarily reviewed and vetted through the IRP itself – not through changes to the October 15 annual update. See IPC-E-19-19 (adopting the use of the Platts forecast for the IRP); and IPC-E-21-15 (adopting the use of the most recent Platts forecast after the acknowledgement of the 2019 IRP). This is consistent with the intent and language of Order No. 32697 – the gas price forecasts used in the IRP are updated between IRP cycles, but other IRP variables and assumptions remain the same. Additionally, Staff testimony from GNR-E-11-03 states,

Fuel price forecasts should be updated annually. I suggest that the timing of the updates coincide with whatever schedule is adopted for fuel price updates made under the SAR methodology. Unlike the recommendation for use of the DOE/EIA Annual Energy Outlook forecast for the SAR methodology, however, I believe that utilities should be permitted to use the same forecasts and sources (or

combinations of sources) as they use in their IRPs for use with the IRP methodology ...

Case No. GNR-E-11-03, Sterling Direct, p 22, line 22 - p 23 line 6. The Commission adopted this recommendation to annually update fuel price and load forecasts, and to consider PURPA contracts that have been signed or terminated, but that other IRP Methodology variables would remain fixed between IRP filings. Order No. 32697 at 22.

The important concept incorporated by this procedure is that the gas forecast methodology used for avoided cost pricing remains consistent with that used by the utility in its Integrated Resource Planning - but allowing the data (vintage) to be updated on an annual basis, rather than every two years with the IRP. Accepting Staff's recommendation to use the NYMEX forward prices as the natural gas price forecast in the near-term, rather than the Platts forecast used in the most recently acknowledged IRP (and further accepted in the May gas price forecast update in IPC-E-19-15), would be a stark departure from this precedent on the annual gas price forecast, and would lead to the use of a forecast that has not been adequately considered in the IRP process. It would inappropriately create a disconnect between the gas price forecast source in the 2019 IRP and the forecast used in the ICIRP methodology between IRPs. The forecast sources are intended to be the same. Staff's proposal to change the forecast source in this proceeding based on a belief that the forecast is too low in the early years is inconsistent with the intent of this proceeding.

Further, the change would be made without the same level of public review and opportunity for comment as occurs within the IRP process. The use of the Platts forecast in the IRP was reviewed and commented on extensively by stakeholders in the public meetings leading up to the 2019 IRP and in the proceeding regarding the 2019 IRP (IPC-E-19-19), and the Commission ultimately acknowledged the IRP with that forecast in

Order No. 34959. The use of the Platts forecast in the IRP was again reviewed and discussed in the public meetings during the development of the 2021 IRP over the past year. It would not be appropriate to make a change of this magnitude – changing the source of the gas price forecast to something other than what is used or even proposed in the IRP – in this routine update proceeding, and particularly without adequate opportunity for stakeholder review and comment. It is not proper to propose an entirely new forecast methodology that does not align with the Company’s IRP in the October 15 update proceeding. Changes to the forecast methodology should be vetted through the Company’s IRP process, and ultimately be consistent with the Company’s IRP. Idaho Power has just completed its 2021 IRP development<sup>1</sup> which incorporates Platts natural gas forecast, and the Company continues to believe that Platts is the appropriate gas price forecast for use in the IRP and for the ICIRP method of calculating avoided costs.

*B. Staff’s Recommendation to Change the Forecast Source is Not Supported by the Evidence.* Staff’s recommendation to reject Idaho Power’s Platt’s forecast is “based on two analyses it conducted: (1) a comparison of the nominal forecast in this case to an earlier forecast submitted in IPC-E-21-15; and (2) a comparison of the Company’s Henry Hub forecast to Rocky Mountain Power’s (“RMP”) and Avista’s Henry Hub forecasts recently filed through their annual updates.” Staff Comments p. 3. Staff recommends rejecting the Platts forecast because based on Staff’s two analyses, Staff believes Platts is shown to be unresponsive to near term market shifts, and NYMEX based composites are responsive. Idaho Power respectfully disagrees and believes that the differences identified by Staff are solely due to the timing differences of when Platts and Avista’s and

---

<sup>1</sup> Idaho Power’s 2021 IRP will be filed prior to the end of 2021, within days of the filing of these Reply Comments.

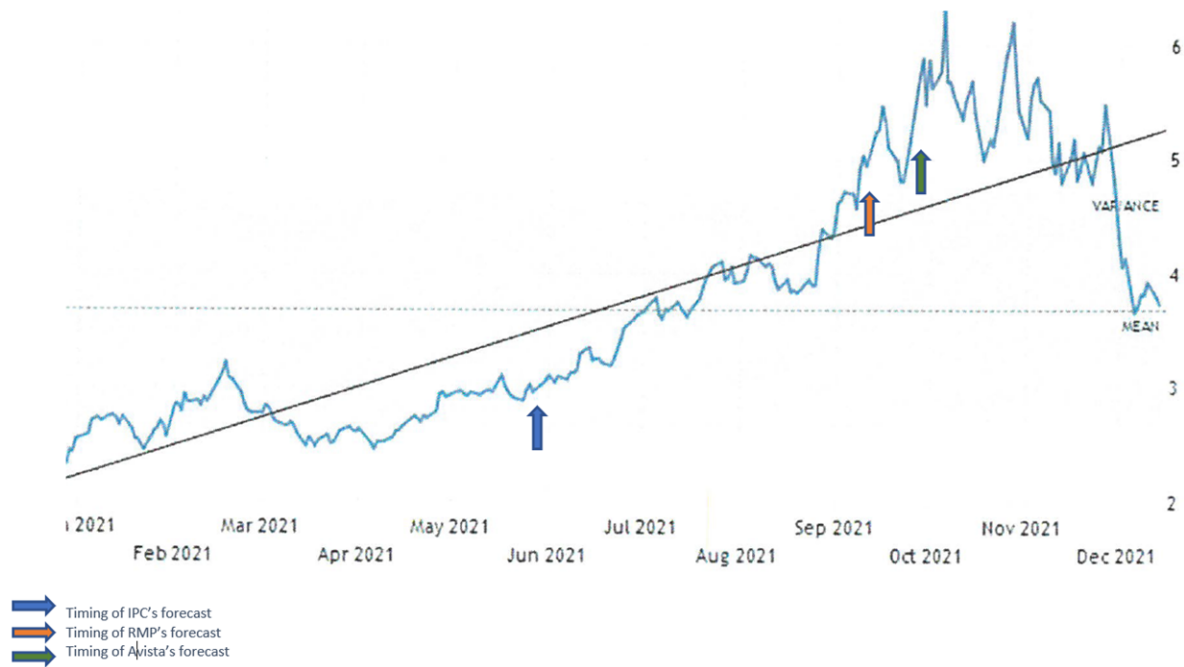
RMP's forecast data was obtained relative to the upswing in market prices referenced by Staff.

On Staff's first analysis - comparison of Platt's forecast from IPC-E-21-15 (March 2021 Platts forecast) and this case, IPC-E-21-35, (July 2021 Platts forecast) - Staff concludes that because there was very little change from the March to July Platts forecasts and that market fundamentals at this time "were causing an upswing in natural gas spot market prices as shown in Figure No. 3", that the July 2021 Platts forecast "may not be responsive to short-term changes." Staff Comments p. 3-4.

On Staff's second analysis - comparison of RMP and Avista's forecasts to July 2021 Platts forecast - Staff concludes that the composite forecasts used by Avista and RMP that utilize NYMEX futures prices over the first few years of their forecasts were better able to capture upward changes in the gas market leading up to October 15, 2021, that per Staff's first analysis Platts was not. Staff Comments p. 7. Staff also proposes that it does not believe the near term discrepancy between Platts and the composite forecasts of RMP and Avista is due the different timing of the three forecasts. Staff Comments p. 7. Staff suggests that Avista's NYMEX data was obtained in August 2021 and believes that RMP's forward prices were obtained "around the same time as Avista's." *Id.*

Using the information from both Avista's and RMP's filings, Idaho Power was able to back into the pull-date for the Henry Hub pricing contained in their forecasts: September 30, 2021, for RMP; and October 13, 2021, for Avista. Using the same graph from Staff's Comments identified as "Figure No. 3: U.S. Historical Natural Gas Prices" (Staff Comments p. 5) it can be seen that the difference in timing between the data utilized by the different forecast corresponds to the differences in near term prices seen by Staff.

It also generally corresponds and shows why there would be little difference between a Platts forecast from March 2021 to June 2021.



The difference between the Henry Hub (NYMEX) forecasts is due to the timing. Even assuming, as did Staff, that both Avista's and RMP's forecasts were based on post-August 2021 data, the Figure 3 graph shows how the timing difference capture the upward trend. The timing difference explains the disparity between the updated Platts long-term July forecast which does not capture the volatile price run-up that occurred from the end of July through the end of November. Additionally, the spot market is different than the forward market. Generally, changes in the spot or daily cash market are not factored into a long-term (6+ years) forecast which shows one price annually. Also, changes in the spot market are driven by any number of factors like seasonality, weather, and short-term pipeline events which may not affect the long-term market fundamentals and should not be factored into a long-term forecast.



Henry Hub/NYMEX has been very volatile over the last 6 months both in the spot and forward markets. The Henry Hub/NYMEX annual price for 2022 increased by 39% from June 4, 2021, (the time when the Platts July forecast was developed), to September 30 (when RMP pulled pricing) and 41% from June 4, 2021, to October 13, 2021 (when Avista pricing was updated in the 12/14/21 filing). From October 13 to December 23, that price decreased by 19%.

<b>Settlement Date</b>	<b>Henry Hub Annual 2022 Price</b>
6/4/2021	<b>\$2.92</b>
9/30/2021	<b>\$4.41</b>
10/13/2021	<b>\$4.49</b>
12/23/2021	<b>\$3.62</b>

Pull Date for RMP's Filing  
 Pull Date for Avista's Filing  
 Recent Pull Date

C. Platts Updated December 2021 Forecast Corresponds to RMP's and Avista's Forecasts. Platts published an updated Platts Long-Term Gas Forecast, in December, 2021, which does factor in increased prices and the first 5 years of the forecast show a 22% increase over the July, 2021 forecast. This again, reinforces the effect of the timing of the relative forecasts in relation to the run-up in gas pricing referenced by Staff, which occurred from approximately late July through November 2021. The most recent Platts forecast available to Idaho Power to make the October 15 Compliance filing was the July Platts forecast which, as Staff points out, does not capture the run-up in pricing reflected in the other utility's forecasts.

As an alternative to Staff's recommended rejection of the Platts forecast and implementing a NYMEX forwards-based methodology change that is inconsistent with Idaho Power's IRP, the Company proposes as an alternative updating the gas forecast with the Platts December 2021 update. Confidential Attachment No. 1 includes: Table 1 - the Natural Gas Forecast Pricing based on Platts December 2021 update, Graph 1 -

showing the relative change in the Platts forecasts, and Table 2 - Henry Hub Annuals from Platts December forecast, which is the same table Staff requested for the Platts July forecast in discovery.

#### **IV. JANUARY 1 EFFECTIVE DATE**

Idaho Power disagrees with Staff's proposal that this update take effect on January 1, 2022, and that future load and gas price forecast updates for the ICIRP methodology take effect January 1 following the October 15 filing. The October 15 update to the load and natural gas price forecasts is intended to be a routine update to those limited assumptions, with the underlying source or methodology vetted in the IRP process, not in the update proceedings. Further, the Commission has historically approved these updates with an effective date of October 15. The October 15 effective date is critical to ensure that projects that may enter the energy sales agreement queue after October 15 are priced appropriately based on the most updated information. Indeed, the Commission has regularly approved past October updates effective as of October 15 of the applicable year, even though the order may be dated after that date. See, e.g., Order Nos. 32941, 33182, 33417, 33646, 33957, 34217, and 34510.

Creating a lag between the update filing date and the effective date creates the potential for projects to try to anticipate the impact the update will have on avoided cost pricing. If projects believe the update will result in lower avoided cost pricing, there may be the potential for claims that projects have established legally enforceable obligations as they try to remain eligible for the old pricing. Moving the effective date to January 1 thus creates the potential for increased litigation, does not create any benefit, and is unnecessary. This is not simply conjecture. Idaho Power and the Commission has seen past "runs on the bank" when multiple and numerous projects will try to all come in during a specific period of time seeking to stake a claim to what they perceive as higher rates,

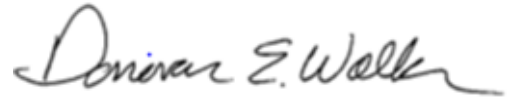
or more beneficial contract terms when they foresee the prospect of a change. For example, in the past Idaho Power has seen several “run-on-the-bank” situations ranging from approximately 200-700 MW of wind over the course of several months and more than 1,000 MW of proposed solar projects over the course of approximately one-months’ time. Creating a lag from October 15 to January 1 every year with the natural gas and load forecast update unnecessarily opens up what should be a routine Compliance filing into a potential driver of controversy and additional litigation over pricing and avoided cost rate eligibility. Idaho Power recommends that the Commission maintain its current practice of utilizing an October 15 effective date for the October 15 annual update filings.

## **V. CONCLUSION**

The Company appreciates and accepts Staff’s recommendations to approve the Load Forecast, Contract Changes, Peak Hours, and Premium Peak Hours. However, rather than reject the Platts forecast as recommended by Staff, Idaho Power recommends that the Commission approve its compliance filing as submitted - or in the alternative that it utilize the updated December 2021 Platts forecast submitted with these Reply Comments. The differences identified by Staff in the gas forecasts are due simply to the timing associated with different points in time that the various forecasts pulled market data in relation to a July through November 2021 run-up in gas prices. The Commission should not abandon the precedent and procedure of the October 15 update being a true update to the gas forecast utilized by the Company in its IRP. The October 15 update should update the *vintage* of the forecast and not change the *source* or *methodology* of the gas forecast. Similarly, the Commission should maintain the precedent of implanting the October 15 update with an effective date of October 15, and not create a period of uncertainty and delay effectiveness to January 1 each year. Doing so would invite potential claims and additional litigation over avoided cost pricing eligibility and legally

enforceable obligation claims.

Respectfully submitted this 28<sup>th</sup> day of December 2021.

A handwritten signature in black ink that reads "Donovan E. Walker". The signature is written in a cursive style with a large initial 'D' and a long horizontal flourish at the end.

---

DONOVAN E. WALKER  
Attorney for Idaho Power Company

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on the 28th day of December 2021 I served a true and correct copy of the within and foregoing Idaho Power's Reply Comments upon the following named parties by the method indicated below, and addressed to the following:

Riley Newton  
Idaho Public Utilities Commission  
P.O. Box 83720  
11331 West Chinden Blvd, Bldg 8  
Suite 201-A  
Boise ID 83714

Emailed to:  
[riley.newton@puc.idaho.gov](mailto:riley.newton@puc.idaho.gov)

A handwritten signature in black ink, appearing to read "Christy Davenport", written in a cursive style.

---

Christy Davenport, Legal Assistant